

CHEMICAL AND SEED COMPANY MERGERS

What Does It Mean For Farmers?

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Merger Activity

Monsanto/Holden Seeds

Ciba/Northrup-King

Ciba/Sandoz

Dupont/Pioneer/Purina

AgrEvo/Plant Genetics/DeKalb

DowElanco/Mycogen

Zeneca/Garst

Case/Dow/Pioneer

EFFECTS OF MERGERS ON PRODUCERS

1. Reduced Use of Farm Produced Seed

Roundup Ready and STS Beans

1996 – 3 Million Acres

1997 – 16 Million

1998 – 30 Million ?

2000 – 50 Million ???

2. Reduced Prices on Chemicals

Classic	↓ 50%
Synchrony STS	↓ 75%
Reliance STS	↓ 75%
Synchrony	↓ 50%
Liberty	↓ 15%

3. Reduced Chemical Cost Per Acre

Lower Prices

Lower Application Rates

4. Higher Service Costs

Profit Margins for Chemicals ↓

**Hidden Service Costs in Past
Service Costs More Direct in Future**

5. Higher Yields Very Likely

**Reduced Weed Competition
Take Advantage of Improved Gene Pool**

6. Larger Farms

Early Adopters

**Lower Cost of Production
Higher Profit
Outbid neighbors For Land Resource**

7. Bundled Inputs and Output

Now – Seed and Chemicals

Future – Seed/Chemicals/Fertilizer/Markets

8. Loss of Producer Independence

Contract farming

**Less Generic Corn and Beans
Produce for a Market**

**Human
Food Grade**

**Animal
Hog
Beef
Dairy
Poultry**

**Industry
Oil
Starch
Sweetener**

9. Need for Identity Preservation

**End Use
Liability**

10. Need for Contracts

Input Assurance

Market Assurance

Price Assurance

11. Increased Producer Cooperation

Increased Market Power for Agribusiness

Extract Profit from High Value Products

Need for “Offsetting” Producer Power

EXAMPLE OF HIGHER VALUE

High-Oil Corn

Actors

Agribusiness

Corn Producer

Dairy Producer

Situation

Cows Fed High-Oil Corn

Increased Production and Value

1.5 #/cow/day

19 cents/cow/day

Decreased Cost

15 cents per/cow/day

Net Increase Profit

34 cents/cow/day

\$100 per cow/year

(Example Continued)

9 million cows in the U.S.

\$900 million increased value/year for U.S.

.5 acres of grain corn/cow/year

4.5 million acres of corn grain/year

**\$200 increased value /acre
(hog producers estimate \$90)**

**\$1.56 increased value per bushel
(hog producers estimate 70 cents)**

U.S. feeds about 6 billion bushels of corn per year

**Use a conservative \$1 extra value per bushel
\$6 billion extra corn value per year**

A ROUGH EXAMPLE

WHO WILL CAPTURE THE VALUE?

**(Those With Market Power)
(Those With Knowledge and Negotiating Skills)**